Metro

Capital Project Planning:
Strengthen management environment

November 2016
A Report by the Office of the Auditor

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MEMORANDUM

November 2, 2016

To: Tom Hughes, Council President
Shirley Craddick, Councilor, District 1
Carlotta Collette, Councilor, District 2
Craig Dirksen, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Sam Chase, Councilor, District 5
Bob Stacey, Councilor, District 6

From: Brian Evans, Metro Auditor BE

Re: Audit of capital project planning

This report covers our audit of capital project planning. The objective was to determine if capital planning controls provided reliable (complete and accurate) and transparent information about projects. This audit was included in our FY2016-17 Audit Schedule.

We found the management environment could be improved. The policy to amend the capital budget when project changes exceeded certain thresholds was not followed. Projects moved forward without required planning and approval in some cases, which increased the chances of unauthorized spending.

We have discussed our findings and recommendations with Martha Bennett, COO; Scott Robinson, Deputy COO; Kathleen Brennan-Hunter, Director of Parks and Nature; and Tim Collier, Director Finance and Regulatory Services. We found them receptive to most of our concerns. We noted that Metro management was in the process of finalizing a plan to improve capital project planning prior to our office completing our work.

My office will schedule a formal follow-up to this audit within 2 years. We would like to acknowledge and thank all of the management and staff who assisted us in completing this audit.

Summary

Capital projects typically involve large investments and have a direct impact on a government's ability to provide services and programs. When done successfully, capital planning can demonstrate good stewardship of previous investments and strategic planning for new ones.

Metro's capital planning process applies to any project expected to cost more than $50,000 and have a useful life of over five years. Just over $64 million was included in Metro's fiscal year 2015-16 capital budget. Outside of bond funded projects, department budgets included between $100,000 and $5.5 million for capital projects.

We found Metro's management of capital projects was ad hoc. There was a lack of planning for some projects and spending on some projects did not match the capital budget. Inconsistent information was reported about the status and cost-to-date of capital projects during the year. Unreliable information reduced transparency to the public and Metro Council.

We were unable to determine the approved budgets for some projects. Planning documents for some projects were not complete, which may have contributed to the uncertainty about budget amounts. Well developed project plans were critical to controlling the cost of projects. Audits of capital planning in other jurisdictions have shown that the ability to influence costs is greatest during project planning and design. This is why it was so critical to have well developed project plans prior to moving to the next phase of the project.

We reviewed 48 projects during the audit. Actual spending on 21 (44%) of those projects should have initiated a capital budget amendment. Metro's policy required a capital budget amendment when new projects over $100,000 were initiated, or when actual or expected project expenditures increased by more than 20%.

We found that the management environment allowed projects to move forward without required planning and approval. Flexibility to repurpose funding for another project increased risk. When some projects required more funding than originally expected, other planned projects had to be rescheduled or the scope of work was reduced. Those tradeoffs may have been appropriate, but there was a risk that the short-term focus could outweigh longer-term needs.

The process would benefit from greater formality and thoroughness. A combination of improved monitoring and reporting, and more disciplined project planning would increase effectiveness. We made recommendations in each of these areas.

Background

Projects to build, acquire or maintain assets are known as capital projects. Capital projects typically involve large investments and have a direct impact on a government's ability to provide services and programs.

At Metro, recent capital projects for new assets included buying land for natural areas and parks, constructing a vertical garden to treat storm water at the Exposition Center, and building new exhibits at the Oregon Zoo. These were done to improve the services Metro provides to the region.

Projects to renew or replace existing capital assets were planned for fleet vehicles, information technology equipment, and fire sprinklers. These projects were intended to maintain assets so that Metro gets the most out of its previous investments.

In addition to helping provide services, capital projects and capital spending in general, are an important aspect of Metro's financial health. Accurately forecasting future capital needs can help governments identify cost-effective funding strategies and avoid maintenance backlogs. When done successfully, capital projects can demonstrate good stewardship of previous investments and strategic planning for new investments.

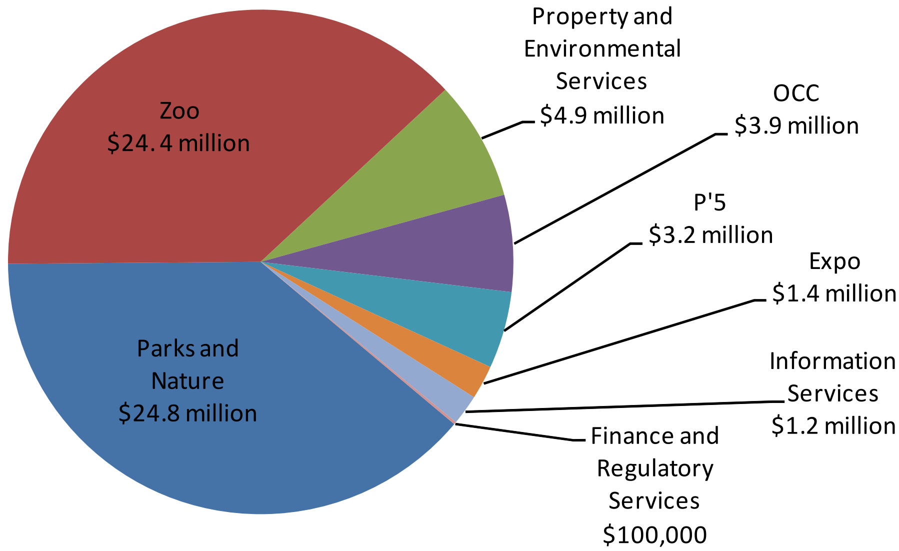
Metro's capital planning process applies to any project expected to cost more than $50,000 and have a useful life of over five years. Information technology projects that have a useful life of less than five years are also included.

The planning process typically begins in September each year when departments are expected to review and update their asset lists and prioritize maintenance projects. Maintenance projects are then combined with any new capital project requests during the budget review that begins in January. All capital projects approved during the budget process are then combined into the agency-wide Capital Improvement Plan (CIP) adopted by Metro Council in June.

The CIP serves two purposes. The first year of the CIP is the annual capital budget. The CIP also contains a five-year forecast of future capital needs that is intended to help align revenue sources with anticipated capital expenditures.

Just over $64 million was included in Metro's fiscal year (FY) 2015-16 capital budget. The Oregon Zoo and the Parks and Nature department accounted for the largest dollar amount of planned projects. The size of their capital budgets was the result of projects funded by voter-approved bond measures. About $20 million of the Parks and Nature total ($24.8 million) was for land purchases funded by the 2006 Natural Areas bond. Similarly, about $19 million of the Oregon Zoo's total ($24.4 million) was for projects funded by the 2008 Infrastructure and Animal Welfare bond. Outside of the bond funded projects, department budgets included between $100,000 and $5.5 million for capital projects.

Exhibit 1: Capital Improvement Plan projects by department, FY2015-16



Source: Metro Auditor's Office

At Metro, the capital planning process involves many individuals, committees, departments and decision-makers. The primary participants are facility and operations managers at each building or venue, finance managers, the Capital Asset Advisory Committee, department directors, Chief Operating Officer (COO), and Metro Council.

Recently, the Metro Auditor's Office became aware of weaknesses in capital project planning. An audit we started in January 2016 of Glendoveer Golf Course showed that the projects that were planned at the facility were not always the ones that were completed. Some capital projects cost more than expected due to inaccurate cost estimates and there was incomplete information about future maintenance needs.

In May 2016, an anonymous report to Metro's Accountability Hotline alleged overspending of the 2013 Parks and Natural Areas Local Option Levy (2013 Levy). Our initial review of 2013 Levy spending showed that total spending was within the budget appropriation level. That meant the allegation that the 2013 Levy fund was overspent was not confirmed.

However, in the second year of the 2013 Levy (FY2014-15), personnel and capital outlay expenditures were higher than what was budgeted by about $213,000 and $193,000 respectively. This indicated weaknesses in capital project planning and reporting. When we looked at project-level information, the issues appeared to be similar to the findings in the Glendoveer Golf Course audit. This audit of capital project planning was initiated as a result.

During this audit, we received additional information that led us to conclude that stronger oversight of the 2013 Levy was needed. We communicated those findings in a separate letter to management.

Scope and methodology

The purpose of this audit was to determine if capital planning controls provided reliable (complete and accurate) and transparent information about projects. The scope of the audit was projects included in the CIP and capital projects that had planned or actual expenditures greater than $100,000 in FY2013-14, FY2014-15 or FY2015-16. We limited our review to projects coded to the 2013 Parks and Natural Areas Local Option Levy Fund, General Fund, and General Asset Renewal and Replacement Fund.

To meet our objectives, we reviewed policies and procedures related to the capital planning process. We interviewed employees and managers involved in the process. We analyzed project expenditures and planning documents.

We evaluated the reliability and transparency of information provided in public and internal documents for 48 projects. These included Capital Improvement Plans, annual work plans, project monitoring reports, project concept forms, budget requests, budget memos, and meeting notes. We also reviewed capital planning audits from other jurisdictions and researched best practices for capital planning.

This audit was included in the FY2016-17 audit schedule. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results

Metro needs to improve its project management capability to better manage the scope, schedule and budget of capital projects. Spending on some projects did not go as planned. Some projects exceeded approved budgets and others moved forward without required planning and approval. We found that policies and procedures were inconsistently applied among departments, funding sources, and project types. This reduced the accuracy, completeness, and transparency of project planning and reporting.

The underlying cause of the discrepancies was the management environment. There were gaps in leadership and decision-making at all levels of the organization for some projects. Flexibility to change projects or initiate new ones increased the risk of unauthorized spending. A combination of improved monitoring and reporting, and more disciplined project planning would increase the effectiveness of the process.

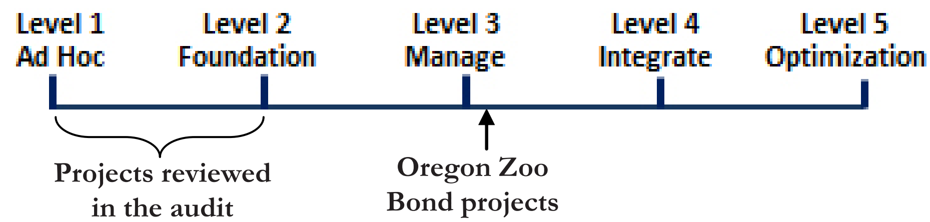
Metro has started several projects designed to improve capital planning and asset management. These efforts may help achieve the long-term vision, but there is a risk that the complexity of integrating them may take longer than expected. Addressing the management environment could increase Metro's capability while other efforts are in development.

Project management capability needs improvement

A common method to determine an organization's level of project management capability is to use the maturity model shown in Exhibit 2. We found Metro's management of capital projects was ad hoc. There was a lack of planning for some projects and spending on some projects did not match the capital budget. Project monitoring and reporting was inconsistent. Informal management increased risks. Improvements were needed to create a consistent and accountable agency-wide approach.

While we did not assess each part of Metro individually, our previous audits of capital construction found that one part of the organization was at higher level of capability. Oregon Zoo projects funded by the voter-approved 2008 bond measure were at Level 3 in our 2011 follow-up audit. The approach used for those projects could provide a model for the rest of the organization.

Exhibit 2: Level of project management capability and maturity



Level 1 – Ad hoc: No formal consistent process to execute a project.

Level 2 – Foundation: Consistent, basic approaches, repeatable processes are applied to basic project management steps.

Level 3 – Manage: Consistent, comprehensive approach. Organization can efficiently plan, manage, integrate and control single projects.

Level 4 – Integrate: Project portfolio management is institutionalized and integrated into the organization's business planning process.

Level 5 – Optimization: Project-centered organization with an established approach to continuous improvement of project management practices.

Source: Metro Auditor's office analysis based on the Project Management Institute's maturity model and Zoo Capital Construction Program Audit Follow-up (2011)

To provide effective stewardship of public resources, Metro needs project management at Level 3 or above. At Level 3 the organization can plan, manage, integrate and control single projects. Employees are trained in project management and lessons learned from previous projects are incorporated.

Projects funded by the 2013 Levy should aim for Level 4. At that level, an organization can manage of a portfolio of projects. The 2013 Levy was intended to fund a portfolio of projects and programs. Now in its fourth year, Metro should act quickly to put better management processes in place.

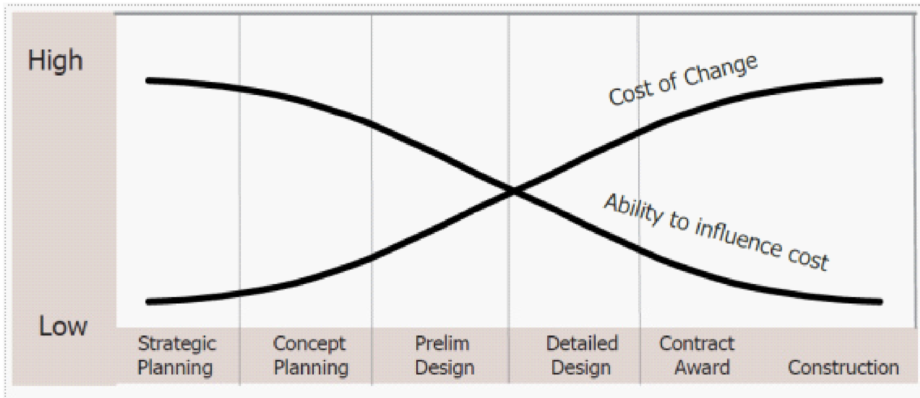
Some of the work needed to move to Level 2 has been done. However, it has not been implemented effectively. A Construction Project Management Guide was created in June 2013. The purpose of the guide was to create consistent project management. In October 2013, Metro's capital policy was updated to require projects to follow the guidance.

Our review of projects found that the guidance and policy were not being followed. Some projects bypassed required steps for planning, approval and monitoring. Many of the weaknesses that motivated the changes in 2013 were still present.

Unclear planning for some projects

Planning to define the scope, schedule, and budget was required for each project. Well developed project plans were critical to controlling the cost of projects. Audits of capital planning in other jurisdictions have shown that the ability to influence costs is greatest during project planning and design. This is why it was so critical to have well developed project plans prior to moving to the next phase of the project.

Exhibit 3: Ability to influence cost compared to project timeline



Source: Capital Project Audit, Office of the City Auditor, Edmonton, Canada, 2008

We were unable to determine the approved budgets for some projects. For the projects we reviewed, the capital budget or 2013 Levy work plans should have provided that information. However, annual budget amounts had not been established in either document for some projects. In others, the budget amounts differed between the two documents. That meant that two budgets had been approved for the same project in some cases. Without a baseline budget, it would be very difficult to determine if projects were on track.

Planning documents for some projects were not complete, which may have contributed to the uncertainty about budget amounts. Some project plans had been completed but not signed by the appropriate authority, which should have prevented spending on them. We were told some projects did not require these forms because they were routine or ongoing projects. It was not clear who had the authority to make those decisions.

Even when planning documents were signed they did not appear to be used as intended. For example, one project was approved in January 2015. However, about $215,000 had already been spent on the project in the 18 months prior to approval. This example indicated that management at all levels of the organization was not using the plans as a means to control project approval and spending.

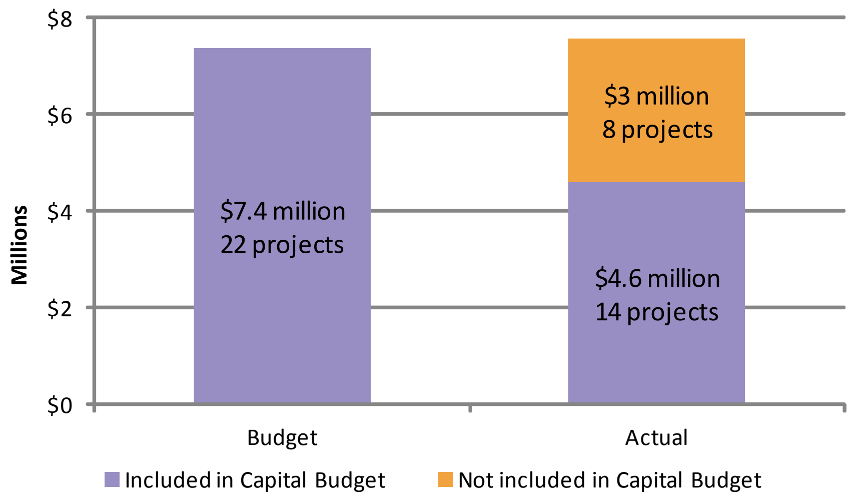
Project spending did not match the capital budget

Without a formal approval process, the risk of unauthorized spending increased. Unreliable information in the capital budget reduced transparency to the public and Metro Council. When we compared actual project spending to the amount in the capital budget, we found discrepancies.

- Some were planned but little or no spending occurred.
- Some had expenditures above the amount listed in the capital budget.
- Some were not included in the capital budget that should have been.

For example, 22 projects were included in the 2013 Levy capital budgets from FY2013-14 through FY2015-16. These projects were expected to cost about $7.4 million. Analysis of actual expenditures showed about $4.6 million was spent on 14 of these projects. Another $3 million was spent on eight other projects that were not listed in the capital budget. The capital budget was not amended as required when some new projects over $100,000 were initiated.

Exhibit 4: Comparison of Levy capital budget and actual project expenditures, FY2013-14 through FY2015-16



Source: Metro Auditor's Office analysis of Capital Improvement Plans and expenditure data in PeopleSoft.

Analysis of capital projects funded by other sources (General Fund and General Asset Renewal and Replacement Fund) showed similar discrepancies. Spending on three of the 18 projects we reviewed that were funded by those sources should have required a capital budget amendment (see Appendix A).

Some of the projects that were not in the capital budget were large restoration projects with significant construction work. We received inconsistent information about why restoration projects were not included in the capital budget. Some thought it was based on the type of work (construction or non-construction), while others thought it was based on the size of the project's budget. We were unable to determine if Metro had a policy to guide these decisions.

Restoration projects can range from replanting areas with native plants to large construction efforts to change the flow of water in a stream or river. As a result, not all restoration projects are capital projects. We reviewed the project descriptions for several restorations projects and found that some of them were clearly capital projects. Management did not dispute our conclusions when we shared a list of projects with them.

Spending on some projects exceeded the amounts listed in the capital budget. Metro's policy required a capital budget amendment if actual or expected project expenditures increased by more than 20%. Of the 48 projects we reviewed during the audit, 11 fit that description. Five of these projects were funded by the 2013 Levy and six used other funding sources (see Appendix A). Overspending on these projects varied from $85,000 to $740,000.

The analysis indicated that some projects had not gone as expected. While there were many legitimate reasons for projects to change, there was little documentation of decisions for some projects. It was not clear who approved changes to the projects in the capital budget. Similarly, it was not clear who approved spending for the projects that were not in the capital budget.

In August 2016, Metro Council was briefed about overspending on three 2013 Levy funded projects. A memo showed just over $1 million was approved in contracts that exceeded the project budgets. Our analysis included these projects, but we found other projects also went over budget that were not included in the memo.

Our 2009 audit of construction projects at the zoo identified lack of expenditure tracking as one of the causes of projects going over budget. If project managers were not tracking expenditures as they were made, it would be difficult to get accurate information about actual spending before the fiscal year ended. During this audit, we were told improvements were made to address this issue for contract payments but there may continue to be a risk for purchases made using purchase orders.

We also noted that the previous spending totals listed in the capital budget for some projects were not accurate. For example, the previous spending total for one project was listed as zero in the FY2015-16 capital budget, but at least $590,000 had already been spent on the project. Most of the time the expenditure listed was below actual spending in previous years. There was also one example where the previous spending total was higher than the amount spent on the project.

Project monitoring and reporting was inconsistent

There was inconsistent information reported about the status and cost-to-date of capital projects during the year. This made it difficult to monitor projects. Information about capital projects was supposed to be provided in the second- and fourth-quarter financial reports to Metro Council.

No information was reported in some quarterly reports for some of the projects we reviewed. In addition, the way the information was reported made it difficult to determine if projects were on time and on budget. For example, the total project budget and completion date was not always included in the reports.

Projects funded by the 2013 Levy had an additional layer of oversight and reporting. A Steering Committee made up of Metro managers reviewed the annual work plans and quarterly project reports. One purpose of this group was to discuss changes to project scopes, schedules, and budgets. When we reviewed the work plan we found inconsistent information compared to the agency-wide capital budget and quarterly reports.

If the process was working as intended, the capital budget and quarterly monitoring reports presented to Council should have contained the same information that was reviewed by the 2013 Levy Steering Committee. We found this was not the case for some of the projects we reviewed. Only one or two of the projects we reviewed were reported in all three documents during the first two years. In year three, no projects were reported in all three documents.

Management environment should be strengthened

We found that the management environment allowed projects to move forward without required planning and approval. There were gaps in leadership and decision-making at all levels of the organization for some projects. The process would benefit from greater formality and thoroughness.

The requirements in Oregon budget law were the primary concern of people involved in the process. The interpretation was that as long as total expenditure in each fund did not go over the budget appropriation level, there was no need to get approval when projects were added or changed.

While complying with budget law was important, there were other requirements for capital projects that were not always followed. These included:

- evaluating costs, timing and ongoing maintenance needs;
- providing accurate information to inform the project review and approval process;
- getting approval for projects prior to making expenditures;
- following project management guidance; and
- reporting and getting approval when project changes exceeded established thresholds.

Flexibility to repurpose funding for another project increased risk. Several people gave examples where changes to one project impacted others. When some projects required more funding than originally expected, other planned projects had to be rescheduled or the scope of work was reduced. Those tradeoffs may have been appropriate, but there was a risk that the short-term focus could outweigh longer-term needs.

Flexibility increased the importance of inter-departmental communication. If changes to projects were not updated in Metro's tracking systems it may not have been clear which projects were completed. This could introduce errors into asset inventories and create unfunded liabilities if funding was requested at a later date for the same project.

For example, we were told that the Oregon Zoo had several roof replacement projects planned. After funding was approved, the funds were used to do a facility assessment to get a better sense of what was needed. This may have been a practical way to get better cost estimates or prioritize the areas of greatest need. However, no capital project was completed so additional funds will be needed to complete the roof project at some point in the future.

Even where the policies were well known, the variety of individuals, committees, and departments involved reduced clarity about who was accountable for completing requirements and making decisions. Training or clear standards had not been established for some roles. Changes in personnel moved employees into new or interim roles sometimes on more than one occasion, which may have reduced effectiveness.

The timing of the capital budget process may have contributed to the weaknesses we identified. In recent years, department capital budgets and operating budgets have been reviewed and approved at the same time, which may have reduced attention to the capital budget received. Metro used to create the two budgets separately. The capital budget was created first to inform decisions about the operating budget.

Metro recently started a project to revise policies and procedures for capital planning and asset management. Several related efforts are also underway to improve contacting and develop an agency-wide software system to manage maintenance projects. These efforts appear to be intended to move Metro to Level 4 or 5 of the maturity model (see Exhibit 2). While each of these efforts may be important for achieving the long-term vision, there is a risk that the complexity of integrating them may take longer than expected.

Addressing the management environment could increase Metro's maturity while other efforts are in development. Policies and procedures were in place. A combination of improved monitoring and reporting, and more disciplined project planning would increase the effectiveness of the process.

Recommendations

To increase the organization's capital project planning capability Metro should:

1. Ensure capital planning policies and project management guidance are followed to:
    a. improve the accuracy of project cost estimates;
    b. document approval of project plans;
    c. document approval of project budgets; and
    d. document approval of revised project budgets.

2. Improve the completeness and accuracy of the capital budget by updating it periodically during the year when new projects are approved or existing project budgets exceed established thresholds.

3. Increase accountability by improving the twice-yearly capital project monitoring report to provide accurate information about the scope, schedule and budget for each capital project.

4. Establish a policy and process to determine if restoration projects are capital projects.

5. Align the Levy work plan approval and updating processes with Metro's capital budget processes to create consistent scopes of work, budgets, and schedules for projects.

Appendix A: Summary of project changes that should have been amended into Metro's Capital Budget

We reviewed 48 projects during the audit. Actual spending on 21 (44%) of those projects should have initiated a Capital Budget amendment. Metro's Capital Asset Management Policy requires the capital budget to be amended in the following circumstances:

- **Criteria A**: New projects over $100,000 are identified during the fiscal year and need to be initiated prior to the next fiscal year.
- **Criteria B**: Actual or anticipated expenses for projects included in the current year adopted budget increase more than 20% above the original project budget if the original budget amount is less than or equal to $1,000,000 or 10% if the original budget amount is greater than $1,000,000.

			FY2013-14		FY2014-15		FY2015-16	
Project Name	**ID**	**Fund**	**Criteria A**	**Criteria B**	**Criteria A**	**Criteria B**	**Criteria A**	**Criteria B**
Scouters Mtn. - Trails & Signage	LA100	165	X			X		
Canemah North Design & Construction	LA150	165						X
Blue Lake Entry Drive/Booth	LI200	165				X		
Blue Lake Native Landscaping Upgrades	LI201	165				X		
Blue Lake Playground/Restroom Renovation	LI2031	165						X
River Island Restoration	LR030	165	X		X			
Clear Creek Middle Bench	LR061	165					X	
Ambleside Aquatic Restoration	LR1602	165					X	
Oxbow Stream Restoration	LR240	165			X		X	
Mult. Chan. Marsh Fish Monitoring	LR660	165			X		X	
Mult. Chan. Restoration & Monitoring	LR661	165			X			
Borland Maintenance Area	LR750	165	X		X			
Levy Terramet Database Improvements	LS010	165			X			
Willamette Falls	G01007	010	X					
PeopleSoft 9.2 Upgrade – Project	01521A	010				X		
IntraMet Redesign	01552	010						X
Agenda Management Software	01556	010						X
Fleet Project	70001	611		X				
Server Room HVAC and UPS	01514	611		X				
Council Chamber AV Project	01326	611						X
IMS – Network Management	65200	611	X				X	

Source: Metro Auditor's Office analysis based on adopted capital improvements plans and amendments for FY2013-14, FY2014-15 and FY2015-16; Metro's Capital Asset Management Policy, and actual project expenditures in Metro's accounting system (PeopleSoft).

Management response

Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Memo

Date: October 28, 2016

To: Brian Evans, Metro Auditor

From: Scott Robinson, Deputy Chief Operating Officer
Tim Collier, Director, Finance and Regulatory Services

Cc: Martha Bennett, Chief Operating Officer
Kathleen Brennan-Hunter, Director, Parks and Nature
Paul Slyman, Director, Property and Environmental Services

Subject: Management response to Capital Project Planning audit

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Thank you for the opportunity to respond to your audit of Metro's capital project planning. Improving capital project management is an agency goal. Your recommendations reinforce the important work already underway. We appreciate your recognition of our efforts to improve capital project planning and the recommendations you provide to help us continue to refine and prioritize our continuing improvement initiatives.

Capital project planning is an important part of Metro's work, and is particularly critical in delivering projects tied to voter-approved funds. We agree improved attention to reconciling various planning documents, training on policies, procedures and inter-department project management expectations are needed. We believe the work underway to achieve these improvements is on track.

The Metro Council and staff have prioritized transparency and accountability for previous voter-approved measures through creation of oversight committees, steering committees and reporting. An example of this oversight and accountability work is the 2013 Levy Steering Committee's identification of some project-related issues in 2015 as a result of quarterly reporting. Staff discussed these issues with Council in August 2016.

The Metro Council has formally committed to using an oversight committee for upcoming capital projects. Staff believes the charter for the Natural Areas Program Performance Oversight Committee can be adjusted to accommodate that responsibility. Parks and Nature staff will work with the Office of the Metro Attorney to draft any legislation necessary to implement that change.

It is also important to put your findings and recommendations in context. First and foremost, all of Metro's capital spending was well within the legally appropriated budget. Additionally, the projects identified in the report represent a small percentage of Metro's overall capital spending. The total expenditures for the 10 projects identified in Appendix A for FY 2015-16 represented only 4 percent of Metro's capital program for that year. Finally, we recognize the need to better connect programmatic work plans with the Capital Improvement Plan in Metro's budget.

We provide the following response to the recommendations included in the audit (audit recommendations are in italics):

1. Ensure capital planning policies and project management guidance are followed to:
   a. Improve the accuracy of project cost estimates;
   b. Document approval of project plans;
   c. Document approval of project budgets; and
   d. Document approval of revised project budgets.

We agree with this recommendation, and actions are underway to address these issues. The Finance and Regulatory Services Department is implementing process changes to the administration of the Capital Asset Management Policy to ensure that capital projects are budgeted more accurately up front and that changes to project budgets are approved and documented.

To improve the accuracy of project cost estimates, Finance and Regulatory Services is changing the process for submitting capital projects in the annual budget process. Five-year capital plans are now required earlier in the process to provide more time for review and evaluation by Finance and Metro's Senior Leadership Team. Departments are also required to document the source of their project cost estimates, and this information will be used to prioritize projects that are backed by professional cost estimates, design or engineering studies, or facility condition assessments.

The Finance Department is also working closely with the Construction Project Management Office to require that proposed projects are submitted through Metro's portfolio and project management software. That software tracks submissions and approvals of project concepts and project plans. The Finance Department is now requiring that all capital project budgets be submitted via Metro's budget software, and will use that system to track the Capital Improvement Plan and changes throughout the year.

2. Improve the completeness and accuracy of the capital budget by updating it periodically during the year when new projects are approved or existing project budgets exceed established thresholds.

We agree with this recommendation. Finance and Regulatory Services is improving the administration of the Capital Asset Management Policy and providing training to finance managers, project managers and other staff on budgeting for capital projects. Finance and Regulatory Services staff is also closely monitoring contracts for capital projects to ensure that projects moving forward have the necessary approvals and have been budgeted correctly.

3. Increase accountability by improving the twice-yearly capital project monitoring report to provide accurate information about the scope, schedule and budget for each capital project.

The twice-yearly capital project monitoring report is an important tool, and we agree that it can be improved. We also believe that it is important to improve overall capital project monitoring tools for management so that any project deviation from scope, schedule or budget can be caught early and corrected. Finance and Regulatory Services will work closely with the Senior Leadership Team and capital project managers across the agency to improve reporting tools.

4. Establish a policy and process to determine if restoration projects are capital projects.

Management firmly believes new policies in this area are not needed, because the Governmental Accounting Standards Board has set clear criteria to define capital projects and it would not be appropriate to change those criteria. However, there is a clear need to provide training to staff in Finance and Parks and Nature on identifying and accounting for restoration work that should be defined as a capital project.
The audit also has indicated that we need to improve project management processes and documentation for restoration projects and improve how we budget for these projects and track financial performance. Staff in Finance and Regulatory Services are adjusting the FY 2016-17 budget to create line-item budgets for restoration projects to improve financial tracking.

5. Align the 2013 Levy work plan approval and updating processes with Metro's capital budget processes to create consistent scopes of work, budgets and schedules for projects.

We agree with this recommendation and have directed Parks and Nature staff to submit a draft of the 2013 levy work plan with the departmental budget submission. Parks and Nature will submit a final 2013 levy work plan for the Chief Operating Officer's approval after the Metro Council adoption of the budget. That will ensure that the 2013 levy work plan is updated to reflect any changes to the Parks and Nature budget between the proposed and adopted stages are incorporated into the work plan.

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